



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill #	SB0056	Title:	Revise river bed laws
Primary Sponsor:	Hamlett, Bradley	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
Expenditures:				
General Fund	\$17,081	(\$333)	(\$471)	(\$591)
State Special Revenue	\$676	\$833	\$971	\$1,091
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$676	\$833	\$971	\$1,091
Other	\$5,009	\$5,018	\$5,025	\$5,031
Net Impact-General Fund Balance:	<u>(\$17,081)</u>	<u>\$333</u>	<u>\$471</u>	<u>\$591</u>

Description of fiscal impact: SB 56 revises Department of Natural Resources and Conservation (DNRC) notice requirements regarding use of navigable riverbeds. The fiscal impact to the general fund is \$17,414 for the 2017 biennium and less than \$500 annually in future years.

FISCAL ANALYSIS

Assumptions:

1. The Montana Supreme Court has determined that the beds of navigable rivers are public trust lands pursuant to Article X, Section 11(1) of the Montana Constitution. PPL Montana, LLC v. State, 2010 MT 64, ¶ 116, 355 Mont. 402, 444, 229 P.3d 421, 450 rev'd on other grounds and remanded, 132 S. Ct. 1215, 182 L. Ed. 2d 77 (2012).
2. DNRC has historic evidence that approximately 3,400 miles of rivers were used for commerce at the time of statehood and are, therefore, navigable in fact per the Equal Footing Doctrine.
3. Section 2 of the bill states DNRC will provide notice of the requirements of this bill to owners of property adjacent to navigable rivers. Property owners of an estimated 26,000 parcels adjacent to the approximate

- 3,400 miles of navigable waterways will be notified before July 1, 2016. As part of the notification process, legal advertisements will be placed in approximately 11 newspapers for two weeks during FY 2016 only. Cost for notification will total approximately \$14,969 for postage and newspaper advertisements.
4. A short-term employee will be needed for approximately one month to handle the anticipated influx of calls in response to the notice required in Section 2 of this bill. The estimated cost is \$2,288 in FY 2016.
 5. Reductions to the common schools distributable revenue due to administrative costs (advertising and short-term employee) are allocated 95% to the state special revenue guarantee account and 5% to the common schools permanent fund. Reductions to the guarantee account represent a reduction to K-12 BASE Aid funding which must be offset by general fund expenditures.
 6. Easements issued as a result of notices provided under SB 56 would increase the fund balance of the common schools permanent fund; and as a result, the interest revenue generated would be increased as well. Interest for the common schools trust is distributed 95% to the common school guarantee account annually with 5% reinvested in the permanent fund. Interest on the common schools permanent fund is forecast at a rate of 3.70% for FY 2016, 3.50% for FY 2017, 3.30% for FY 2018, and 3.10% for FY 2019. Interest rates were provided by the Board of Investments.
 - a. For fiscal note purposes, DNRC assumes an average of 10 easement applications would be processed per year, which would include a \$50 application fee for each application. The application fees would be deposited to a state special revenue account (historic riverbed use account) to fund the processing of the applications. DNRC would utilize \$500 for contracted services each year to assist with the processing of applications.
 - b. Easement revenue for common schools is based on the following:
 - i. the average appraised value per acre of an adjacent upland parcel is \$2,000. Therefore, the value of the navigable riverbed is 50% of the value of an adjacent upland acre or \$1,000 per acre;
 - ii. the area of an average easement is approximately 0.50 acres (\$1,000 per acres x 0.50 acres = \$500); and
 - iii. ten easements at \$500 per easement would generate approximately \$5,000 for the common schools permanent fund each year.

Fiscal Note Request – As Introduced

(continued)

	FY 2016 Difference	FY 2017 Difference	FY 2018 Difference	FY 2019 Difference
Fiscal Impact:				
Expenditures:				
Operating Expenses	\$17,757	\$500	\$500	\$500
TOTAL Expenditures	\$17,757	\$500	\$500	\$500
Funding of Expenditures:				
General Fund (01) K-12 BASE Aid	\$17,081	(\$333)	(\$471)	(\$591)
Historic Riverbed (02)	\$500	\$500	\$500	\$500
Trust Admin Acct (02)	\$17,257	\$0	\$0	\$0
Guarantee Acct (02) K-12 BASE Aid	(\$17,081)	\$333	\$471	\$591
TOTAL Funding of Exp.	\$17,757	\$500	\$500	\$500
Revenues:				
General Fund (01)	\$0	\$0	\$0	\$0
Historic Riverbed (02)	\$500	\$500	\$500	\$500
Trust Admin Acct (02)	\$17,257	\$0	\$0	\$0
Guarantee Acct (02) K-12 BASE Aid	(\$17,081)	\$333	\$471	\$591
Common School Perm Fund	\$5,009	\$5,018	\$5,025	\$5,031
TOTAL Revenues	\$5,685	\$5,851	\$5,996	\$6,122
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	(\$17,081)	\$333	\$471	\$591
Historic Riverbed (02)	\$0	\$0	\$0	\$0
Trust Admin Acct (02)	\$0	\$0	\$0	\$0
Guarantee Acct (02) K-12 BASE Aid	\$0	\$0	\$0	\$0
Common School Perm Fund	\$5,009	\$5,018	\$5,025	\$5,031

Sponsor's Initials

Date

Budget Director's Initials

Date